

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2082 - HB 2080

February 17, 2014

SUMMARY OF BILL: Creates a pilot Food Desert Relief Enterprise Program, to be terminated January 1, 2030, unless extended by the General Assembly, and to be administered by the Department of Economic and Community Development (ECD). Requires ECD to make grants and loans for the development of food desert relief enterprises in low income census tracts. Requires such grants and loans to be made from the newly created Fresh Food Financing Fund, into which, beginning July 1, 2014, revenue generated from 0.0625 percent of the 5.0 percent tax rate imposed on retail sales of sugar-sweetened beverages will be deposited. Authorizes ECD to use the money in the Fund for program administration, marketing and expenses, and program evaluation, as long as such expenses do not exceed two percent of the total amount appropriated for the program in any fiscal year. Limits the grant amount given to a single enterprise to \$250,000 and limits the aggregate loan principal amount given to a single enterprise to \$500,000. Requires ECD to report to the Senate Commerce and Labor Committee and the House Business and Utilities Committee on the pilot program by February 1 of each year during the existence of the pilot program, and annually thereafter, if the pilot program is extended by the General Assembly.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

**\$636,800/Each Year FY14-15 Through FY28-29/Fresh Food Financing Fund
\$318,400/FY29-30/Fresh Food Financing Fund**

Decrease State Revenue – Net Impact –

**\$607,500/Each Year FY14-15 through FY28-29/General Fund
\$303,700/FY29-30/General Fund**

Increase State Expenditures – \$283,200/FY14-15

**\$101,700/Each Year FY15-16 through FY28-29
\$50,900/FY29-30**

Decrease Local Revenue – \$29,300/Each Year FY14-15 through FY28-29

\$14,700/FY29-30

Assumptions:

- Based on data provided by the Department of Revenue (DOR), retail sale of bottled soft drinks was estimated to be \$1,398,977,058 in FY12-13. Approximately 30 percent of the soda market is estimated to be from diet soda sales. The remaining 70 percent, or \$979,283,941 ($\$1,398,977,058 \times 70.0\%$), is from sugar-sweetened beverage sales.
- Revenue generated from the proposed 0.0625 percent tax rate is estimated to have been \$612,052 ($\$979,283,941 \times 0.0625\%$) in FY12-13 under the provisions of this bill. This amount is estimated to increase by two percent annually to \$624,293 in FY13-14, and to \$636,779 in FY14-15, and is assumed to remain constant in subsequent years for the purposes of this fiscal note. Therefore, \$636,779 will be annually transferred to the newly created Fresh Food Financing Fund, beginning with FY14-15. Fifty percent of this amount, or \$318,390, will be transferred in FY29-30 due to the program's termination date of January 1, 2030.
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.603 percent of state sales tax revenue as state-shared sales tax revenue.
- As a result of transferring the funds to the newly created Fresh Food Financing Fund, local government revenue will decrease by \$29,311 ($\$636,779 \times 4.603\%$) in each year from FY14-15 through FY28-29, and by \$14,655 ($\$318,390 \times 4.603\%$) in FY29-30.
- The resulting net decrease in state revenue to the General Fund will be \$607,468 ($\$636,779 - \$29,311$) in each year from FY14-15 through FY28-29, and \$303,735 ($\$318,390 - \$14,655$) in FY29-30.
- According to DOR, implementation of this bill will require a change to the sales and use tax return to add a line for reporting sales of sugar-sweetened beverages for accounting purposes. Associated changes with software used in scanning, accounting, and the data warehouse will result in an estimated one-time increase in state expenditures of \$179,000, of which \$30,000 will be expenditures to a vendor for changes to the Department's portal applications.
- According to ECD, there are approximately 217 eligible Tennessee census tracks that could qualify for funding in the program. ECD estimates that the funding will be provided in approximately 10 to 15 census tracks per year and that the majority of funds will be provided in the form of grants, rather than loans.
- As a result, one additional Small Business Enterprise Director position will be required, with recurring costs of \$101,730 (\$63,420 salary + \$20,710 benefits + \$17,600 travel, rentals and insurance, supplies and materials, and other), and one-time expenditures of \$2,200 (\$1,600 computer related + \$600 training).
- The total increase in state expenditures is estimated to be \$283,230 ($\$179,300 + \$101,730 + \$2,200$) in FY14-15, \$101,730 in each year from FY15-16 through FY28-29, and \$50,865 ($\$101,730 \times 50.0\%$) in FY29-30.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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